

**TOWN OF KANARRAVILLE**  
**FINANCIAL STATEMENTS**  
**(UNAUDITED)**  
**YEAR ENDED JUNE 30, 2006**



**HINTONBURDICK**  
**HINTON BURDICK HALL & SPILKER PLLC**  
**CPAs & ADVISORS**

## TOWN OF KANARRAVILLE

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**HINTONBURDICK**  
HINTON BURDICK HALL & SPILKER PLLC  
**CPAs & ADVISORS**

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**Certified Public Accountants' Report**

The Honorable Mayor and  
Town Council  
Kanarraville, Utah

We have reviewed the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Kanarraville as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Kanarraville.

A review consists principally of inquiries of Town personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying basic financial statements in order for them to be in conformity with generally accepted accounting principles.

The Management's Discussion and Analysis are not a required part of the basic financial statement but is supplementary information required by the Governmental Accounting Standings Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but were compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the management's discussion and analysis.

*Hinton Burdick, Hall & Spilker PLLC*

HINTON, BURDICK, HALL, & SPILKER, PLLC  
December 6, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Kanarraville (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net assets) by \$965,409 at the close of the fiscal year.
- Total net assets increased by \$86,416.
- Total revenues from all sources were \$274,757 and the total cost of all Town programs was \$188,340.
- Total revenue received in the General Fund was \$55,641 more than the final budget and expenditures were \$2,249 more than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$41,844 or 48% of total General Fund expenditures.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

### **Reporting the Town as a Whole**

#### **The Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or jurisdiction, the availability of capital projects, and condition of the Town's assets to accurately assess the overall health of the Town. The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, highways and streets, cemetery, recreation, property taxes, sales taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town currently only has one proprietary activities fund. It is the water fund.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$965,409 as of June 30, 2006 as shown on the following condensed statement of net assets.

	Governmental activities		Business-type activities	
	6/30/2006	6/30/2005	6/30/2006	6/30/2005
Current and other assets	\$ 132,160	\$ 115,094	\$ 246,843	\$ 257,078
Capital assets	104,145	100,652	963,139	928,772
Total assets	236,305	215,746	1,209,982	1,185,850
Long-term liabilities outstanding	-	-	471,913	506,187
Other liabilities	1,621	7,947	7,344	8,469
Total liabilities	1,621	7,947	479,257	514,656
Net assets:				
Invested in capital assets, net of related debt	104,145	100,652	515,541	(44,556)
Restricted	88,695	57,682	30,566	6,364
Unrestricted	41,844	49,465	184,618	709,386
Total net assets	\$ 234,684	\$ 207,799	\$ 730,725	\$ 671,194

## Governmental Activities

The cost of all Governmental activities this year was \$82,960. \$9,491 of this cost was paid for by those who directly benefited from the programs, \$55,806 was subsidized by grants received from other governmental organizations for operations and capital activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$65,297. General revenues, including taxes and investment earnings totaled \$44,549.

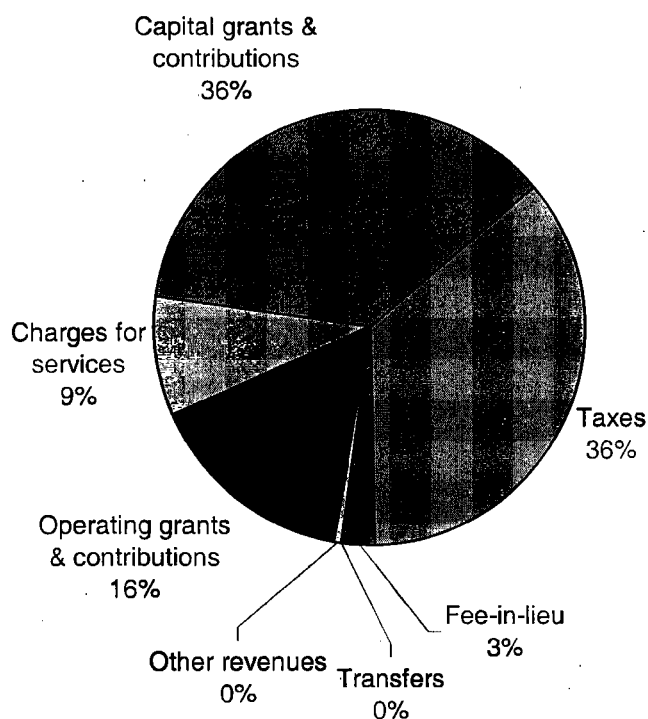
The Town's programs include: General Government, Highways and Streets, Recreation, Public Safety, and Cemetery. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

	Governmental activities		Business-type activities	
	<u>6/30/2006</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2005</u>
Revenues:				
Program revenues:				
Charges for services	\$ 9,491	\$ 7,237	\$ 159,235	\$ 110,665
Operating grants and contributions	16,678	16,619	-	-
Capital grants and contributions	39,128	22,243	-	200,000
General revenues:				
Taxes	38,146	35,841	-	-
Fee-in-lieu	2,872	2,708	-	-
Investment earnings	335	188	5,676	5,108
Telecom license fee	3,196	3,766	-	-
Total revenues	<u>109,846</u>	<u>88,602</u>	<u>164,911</u>	<u>315,773</u>
Expenses:				
General government	43,812	58,545	-	-
Public safety	17,264	10,146	-	-
Highways and streets	10,885	6,850	-	-
Recreation	10,346	5,288	-	-
Cemetery	653	1,206	-	-
Interest on long-term debt	-	-	15,243	11,538
Water and garbage	-	-	90,137	74,463
Transfers	-	-	-	-
Total expenses	<u>82,960</u>	<u>82,035</u>	<u>105,380</u>	<u>86,001</u>
Increase in net assets	<u>26,886</u>	<u>6,567</u>	<u>59,531</u>	<u>229,772</u>
Net assets, beginning	<u>207,798</u>	<u>201,232</u>	<u>671,194</u>	<u>441,422</u>
Net assets, ending	<u>\$ 234,684</u>	<u>\$ 207,799</u>	<u>\$ 730,725</u>	<u>\$ 671,194</u>

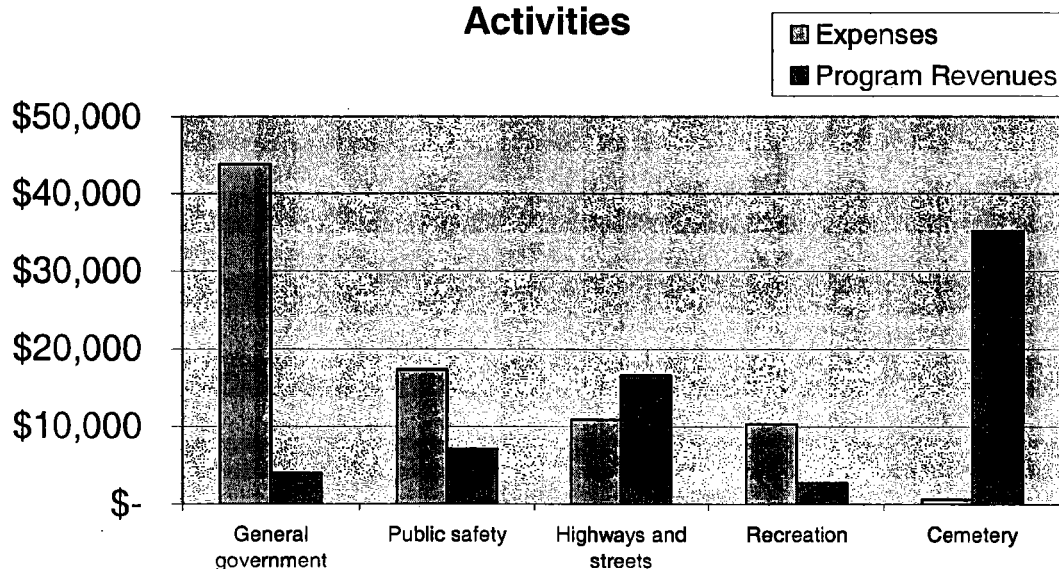
Total resources available during the year to finance governmental operations were \$317,644 consisting of Net assets at July 1, 2005 of \$207,798, program revenues of \$65,297 and General Revenues of \$44,549. Total Governmental Activities expenses during the year were \$82,960; thus Governmental Net Assets were increased by \$26,886 to \$234,684.

The following graphs provide a breakdown of revenues by source and compare program expenses to program revenues for this year for all governmental activities:

### Revenue by Source - Governmental Activities

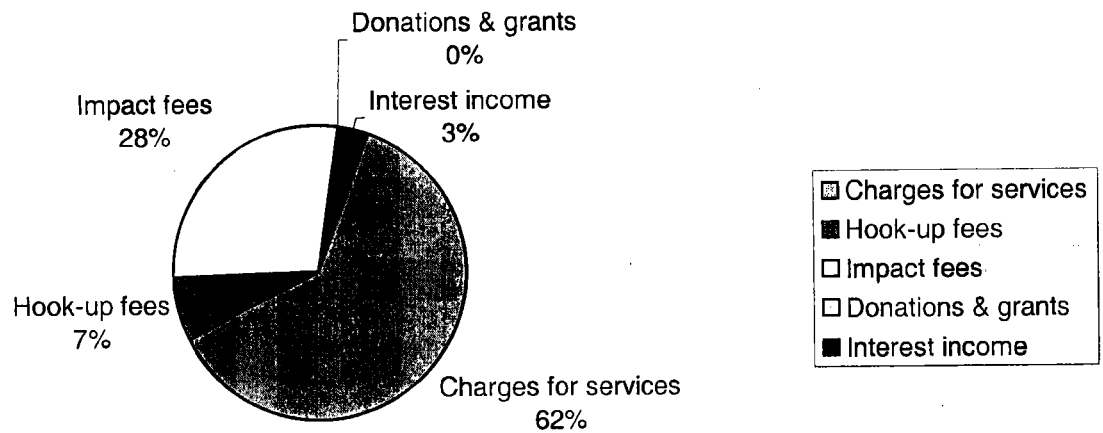


### Expenses and Program Revenues - Governmental Activities

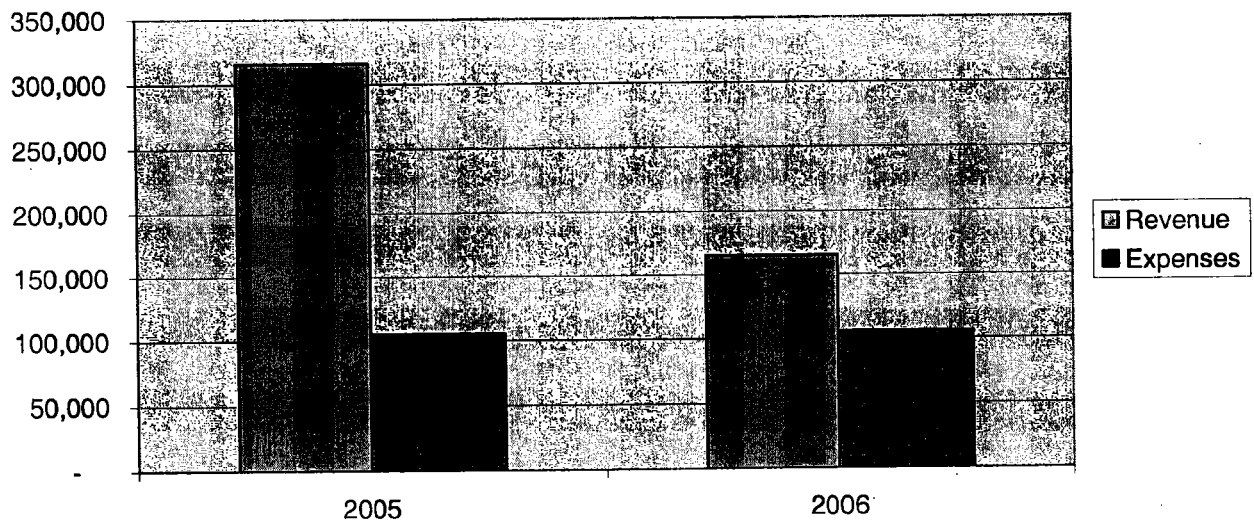


The following graphs provide a breakdown of current year proprietary revenue by source, and a two year comparison of revenue and expenses.

### Revenues by Source - Current Year



### Comparison of Revenues & Expenses by Year



## **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$2,249 less than actual expenditures. Actual revenues were greater than the final budget by \$55,641 mainly due to public donations, general sales and use taxes, Class "C" Road revenue and Grants. No budget amendments were made during the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the Town are those assets that are used in performance of Town functions. Capital Assets include land, buildings, and equipment. At the end of fiscal year 2006, net capital assets of the government activities totaled \$104,145 and net capital assets of the business-type activities totaled \$963,139. Depreciation on capital assets is recognized in the Government-wide financial statements. (See note 6 to the financial statements.)

### **Debt**

At the end of fiscal year 2005, the Town's total government and proprietary debt outstanding was \$0 and \$471,913 respectively. During the fiscal year, the Town's debt decreased by \$34,274 (See note 7 to the financial statement.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2006/2007, the Town Board and management estimated the budget for operating revenues and expenditures will be similar to this year.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Ence, Town Clerk of the Town of Kanarrville, P.O. Box 420148, Kanarrville, UT, 84742 or call 435-867-1852.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF KANARRAVILLE**  
**Statement of Net Assets**  
**June 30, 2006**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 38,280	\$ 192,640	\$ 230,920
Receivables (net of allowance)	3,765	15,379	19,144
Internal balances	1,420	(1,420)	-
Prepaid expenses	-	-	-
Deferred charges	-	9,678	9,678
Temporarily restricted assets:			
Cash and cash equivalents	88,695	30,566	119,261
Capital assets (net of accumulated depreciation):			
Land	10,500	-	10,500
Buildings	5,903	-	5,903
Improvements	58,768	-	58,768
Equipment	15,024	8,000	23,024
Vehicles	3,950	-	3,950
Distribution system	-	955,139	955,139
Construction in progress	10,000	-	10,000
Total assets	<u>236,305</u>	<u>1,209,982</u>	<u>1,446,287</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	1,621	-	1,621
Interest payable	-	7,344	7,344
Noncurrent liabilities:			
Due within one year	-	24,315	24,315
Due in more than one year	-	447,598	447,598
Total liabilities	<u>1,621</u>	<u>479,257</u>	<u>480,878</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	104,145	515,541	619,686
Restricted for:			
Debt service	-	30,566	30,566
Cemetery	42,672	-	42,672
Class C roads	46,023	-	46,023
Other purposes	-	-	-
Unrestricted	41,844	184,618	226,462
Total net assets	<u>\$ 234,684</u>	<u>\$ 730,725</u>	<u>\$ 965,409</u>

See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Statement of Activities**  
**Year Ended June 30, 2006**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 43,812	\$ 3,891	\$ -	\$ -	\$ (39,921)	\$ -	\$ (39,921)
Public safety	17,264	-	113	6,883	(10,268)	-	(10,268)
Highways and streets	10,885	-	16,565	-	5,680	-	5,680
Recreation	10,346	500	-	2,245	(7,601)	-	(7,601)
Cemetery	653	5,100	-	30,000	34,447	-	34,447
Total governmental activities	82,960	9,491	16,678	39,128	(17,663)	-	(17,663)
Business-type activities:							
Utility Fund	105,380	159,235	-	-	-	53,855	53,855
Total business-type activities	105,380	159,235	-	-	-	53,855	53,855
General revenues:							
Taxes:							
Property taxes levied for general purposes					8,184	-	8,184
Sales and use taxes					29,962	-	29,962
Fee-in-lieu					2,872	-	2,872
Telecom license fee					3,196	-	-
Unrestricted investment earnings					335	5,676	6,011
Transfers					-	-	-
Total general revenues & transfers					44,549	5,676	47,029
Change in net assets					26,886	59,531	86,417
Net assets - beginning					207,798	671,194	878,992
Net assets - ending					\$ 234,684	\$ 730,725	\$ 965,409

See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2006**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>		
Cash	\$ 38,280	\$ 38,280
Intergovernmental receivables	3,765	3,765
Prepaid expenses	-	-
Restricted cash	88,695	88,695
Due from other funds	1,420	1,420
<b>Total Assets</b>	<u><u>\$ 132,160</u></u>	<u><u>\$ 132,160</u></u>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,621	\$ 1,621
Total liabilities	<u>1,621</u>	<u>1,621</u>
<b>Fund Balances:</b>		
Reserved	88,695	88,695
Unreserved	41,844	41,844
Total fund balances	<u>130,539</u>	<u>130,539</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 132,160</u></u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	104,145
Net assets of governmental activities	<u><u>\$ 234,684</u></u>

See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Fund**  
**Year Ended June 30, 2006**

	<u>General Fund</u>
<b>Revenues:</b>	
Property taxes	\$ 8,184
Fee-in-lieu taxes	2,872
General sales & use taxes	29,962
Telecom license fee	3,196
Grants	6,883
Licenses & permits	2,860
Class "C" road revenues	16,565
State liquor allotment	113
Cemetery	5,100
Recreation fees	500
Interest income	335
Miscellaneous charges & services	1,031
Donations and other	<u>32,245</u>
Total revenues	<u>109,846</u>
<b>Expenditures:</b>	
General government	42,346
Public safety	13,273
Highways and streets	10,585
Recreation	10,184
Cemetery	<u>10,066</u>
Total expenditures	<u>86,454</u>
Excess of revenues over (under) expenditures	23,392
<b>Other financing sources (uses):</b>	
Operating transfer from Water fund	<u>-</u>
Net change in fund balances	23,392
<b>Fund balance - beginning of year</b>	<u>107,147</u>
<b>Fund balance - end of year</b>	<u><u>\$ 130,539</u></u>

See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**Year Ended June 30, 2006**

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Amounts reported for governmental activities in the statement of activities  
are different because:

Net change in fund balances - total governmental funds	\$ 23,392
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

3,494
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Change in net assets of governmental activities

\$ 26,886
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See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Governmental Fund**  
**Year Ended June 30, 2006**

	General Fund			Variance with Final Budget Favorable (Unfavorable)
	Budget Amounts		Actual Amounts	
	Original	Final		
Revenues:				
Property taxes	\$ 10,000	\$ 10,000	\$ 8,184	\$ (1,816)
Fee-in-lieu taxes	-	-	2,872	2,872
General sales & use taxes	24,000	24,000	29,962	5,962
Telecom license fee	-	-	3,196	3,196
Grants	-	-	6,883	6,883
Licenses & permits	2,500	2,500	2,860	360
Class "C" road revenues	13,000	13,000	16,565	3,565
State liquor allotment	75	75	113	38
Cemetery	2,000	2,000	5,100	3,100
Recreation fees	500	500	500	-
Interest income	130	130	335	205
Miscellaneous charges & services	1,000	1,000	1,031	31
Donations and other	1,000	1,000	32,245	31,245
Total revenues	54,205	54,205	109,846	55,641
Expenditures:				
General government	42,000	42,000	42,346	(346)
Public safety	13,000	13,000	13,273	(273)
Highways and streets	16,205	16,205	10,585	5,620
Parks and recreation	8,000	8,000	10,184	(2,184)
Cemetery	5,000	5,000	10,066	(5,066)
Total expenditures	84,205	84,205	86,454	(2,249)
Excess of revenues over (under) expenditures	(30,000)	(30,000)	23,392	53,392
Other financing sources (uses):				
Transfer from Water fund	-	-	-	-
Net change in fund balance	(30,000)	(30,000)	23,392	53,392
Fund balance - beginning of year	107,147	107,147	107,147	-
Fund balance - end of year	\$ 77,147	\$ 77,147	\$ 130,539	\$ 53,392

See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2006**

	<u>Water Fund</u>
<b>Assets:</b>	
Current assets:	
Cash	\$ 192,640
Receivables	15,379
Total current assets	<u>208,019</u>
Noncurrent assets:	
Restricted cash	30,566
Construction in progress	-
Property, plant & equipment	1,129,854
Accumulated depreciation	(166,715)
Bond issue costs	11,117
Accumulated amortization	(1,439)
Total noncurrent assets	<u>1,003,383</u>
Total assets	<u>1,211,402</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable	-
Interest payable	7,344
Due to other funds	1,420
Due to other governments	-
Current portion of long-term debt	24,315
Total current liabilities	<u>33,079</u>
Noncurrent liabilities:	
Bonds payable	447,598
Total noncurrent liabilities	<u>447,598</u>
Total liabilities	<u>480,677</u>
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	515,541
Restricted for debt service	30,566
Unrestricted	184,618
Total net assets	<u>\$ 730,725</u>

See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2006**

	Water Fund
<b>Operating Revenues:</b>	
Water sales	\$ 77,563
Garbage & landfill fees	24,472
Total operating revenues	<u>102,035</u>
<b>Operating Expenses:</b>	
Salaries & benefits	6,902
General administration	14,570
Professional services	3,697
Repairs & maintenance	792
Garbage pickup	23,245
Supplies	7,546
Utilities	17,136
Depreciation	15,645
Amortization	604
Total operating expenses	<u>90,137</u>
Operating income	<u>11,898</u>
<b>Non-operating revenue/(expenses):</b>	
Hook-up fees	11,700
Impact fees	45,500
State Grant	-
Interest expense	(15,243)
Interest income	5,676
Total non-operating income (loss)	<u>47,633</u>
Net income before transfers	59,531
<b>Transfer (to) from other funds</b>	<u>-</u>
Change in net assets	59,531
Net assets, beginning of year	<u>671,194</u>
Net assets, end of year	<u><u>\$ 730,725</u></u>

See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year Ended June 30, 2006**

	Water Fund
<b>Cash flows from operating activities:</b>	
Cash received from customers, service fees	\$ 95,719
Cash paid to suppliers	(67,414)
Cash paid to employees	(6,902)
Cash flows from operating activities	<u>21,403</u>
<b>Cash flows from noncapital financing activities:</b>	
Hookup fees	11,700
Impact fees	45,500
Payments (to)/from General Fund	(10,567)
Cash flows from noncapital financing activities	<u>46,633</u>
<b>Cash flows from capital and related financing activities:</b>	
Payments on long-term debt	(34,274)
Interest paid on long-term debt	(15,942)
Bond issue costs	-
Due to Other Governments	-
Construction in progress	-
Purchase of fixed assets	(50,010)
Cash flows from capital and related financing activities	<u>(100,226)</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	5,676
Cash flows from capital and related financing activities	<u>5,676</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	(26,514)
Cash and cash equivalents, beginning of year	<u>249,720</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 223,206</u></u>
<b>Reconciliation of operating income to cash flows</b>	
<b>from operating activities:</b>	
Net operating income	\$ 11,898
Adjustments to reconcile net income to net cash	
provided by operating activities:	
Depreciation/amortization	16,249
Changes in operating assets and liabilities:	
(Increase)/decrease in receivables	(6,316)
Increase/(decrease) in accounts payable	(428)
Cash flows from operating activities	<u><u>\$ 21,403</u></u>

See accompanying notes and accountants' report

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1.      Summary of Significant Accounting Policies**

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**General**

The Town of Kanarraville (Town) is incorporated under the laws of the State of Utah. The Town operates under a council form of government and provides the following services: public safety, highways and streets, sanitation, water, parks and recreation, public improvements, planning and zoning, and general administration services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1998, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

**Reporting Entity**

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1.      Summary of Significant Accounting Policies, Continued**

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The accompanying financial statements include all activities of the Town.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1.      Summary of Significant Accounting Policies, Continued**

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**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The **General Fund** is used to account for all financial resources applicable to the operations of the Town. It is the only major governmental fund of the Town.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Business-type fund financial statements are reported**, using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred.

**Business-type funds** are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Town is that the costs of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges, or where the Town has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

The **Water Fund** is used to account for the provision of water and garbage services to the residents of the Town. It is the Town's only major business-type fund.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1.      Summary of Significant Accounting Policies, Continued**

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**Cash and Investments**

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, and other investments as allowed by the State of Utah's Money Management Act. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices.

**Receivables and Payables**

All trade accounts receivable are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**Inventories and prepaid items**

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Also, the Town's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

**Capital Assets**

Fixed assets in the proprietary funds are carried at cost. Depreciation is computed using the straight-line method over the assets estimated useful lives.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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Capital assets in governmental funds, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

In accordance with GASB 34, the Town has opted not to retroactively report infrastructure fixed assets. Infrastructure normally includes assets such as roads, curb and gutter, sidewalks, street lighting, storm drains and other improvements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Streets & improvements	20 years
Automobiles and trucks	5-7 years
Machinery and equipment	7 years

**Accrued Benefits**

Accumulated unpaid vacation and other employee benefit amounts are accrued as an expenditure at year-end only when the Town has such a liability.

**Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 1. Summary of Significant Accounting Policies, Continued**

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**Net Assets**

Net assets are the difference between assets and liabilities. Net assets invest in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by legal limitations imposed on their use by legislation or external restrictions by other governments, creditors or grantors.

**Use of Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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**NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements**

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**Explanation of certain differences between the governmental fund balance sheet and government-wide statement of net assets:**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. The differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

**Capital related items:**

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net asset includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 247,238
Accumulated depreciation	<u>(143,093)</u>
Net adjustment to increase fund balance-total governmental funds to arrive at net assets of governmental activities	<u><u>\$ 104,145</u></u>

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 2.      Reconciliation of Government-Wide and Fund Financial Statements, Continued**

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**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference of \$3,494 are as follows:

Capital Outlay	\$ 13,377
Depreciation Expense	<u>(9,883)</u>
Net adjustment to increase net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	  <u><u>\$ 3,494</u></u>

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**NOTE 3.      Stewardship Compliance and Accountability**

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**Budgets and Budgetary Accounting**

Annual budgets are reported and adopted by the Town Council on or before June 22 for the fiscal year commencing the following July 1 in accordance with State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State Law, at the department level. Budget amendments are required to increase expenditure budgets and are adopted, in a public hearing, before the end of the fiscal year.

The General Fund budget is prepared using the modified accrual basis of accounting. Budgets for the proprietary fund types are prepared using the accrual basis of accounting.

During the current fiscal year, there were no amendments to the budget.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 3.      Stewardship Compliance and Accountability, Continued**

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**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

**Taxes**

Property taxes are collected by the Iron County Treasurer and remitted to the Town in monthly installments. Taxes are levied each October on the taxable value listed as of the prior January 1 for all real property located in the Town. Taxable values are established by the County Assessor at a percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid.

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**NOTE 4.      Deposits and Investments**

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The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The Town follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of Town funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. As of June 30, 2006, \$253,268 of the Town's bank balance of \$353,557 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 4. Deposits and Investments, Continued**

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**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the Town and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the Town to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 4. Deposits and Investments, Continued**

As of June 30, 2006 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Local Government Pooled Investment Fund	\$ 289	\$ 289	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 289</u>	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing exposure to credit risk is to comply with the State's Money Management Act.

At June 30, 2006 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Local Government Pooled Investment Fund	\$ 289	\$ -	\$ -	\$ -	\$ 289
Total Fair Value	<u>\$ 289</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289</u>

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 5.        Receivables**

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Receivables shown in the balance sheet of the utility fund are amounts due from residents for water and garbage disposal service.

Management considers all receivables to be collectable. Therefore, an allowance for doubtful accounts is not presented and is not considered material.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 6. Capital Assets**

The following table summarizes the changes to the fixed assets during the year ended June 30, 2006:

<b>Governmental Activities:</b>	<b>Balance 6/30/2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2006</b>
<b>Capital assets, not being depreciated:</b>				
Construction in Progress	\$ -	\$ 10,000	\$ -	\$ 10,000
Land	10,500	-	-	10,500
Total capital assets, not being depreciated	10,500	10,000	-	20,500
<b>Capital assets, being depreciated:</b>				
Buildings	106,475	-	-	106,475
Improvements	74,488	3,376	-	77,864
Machinery & Equipment	26,398	-	-	26,398
Vehicles	16,000	-	-	16,000
Total capital assets, being depreciated	223,361	3,376	-	226,737
<b>Less accumulated depreciation for:</b>				
Buildings	(99,732)	(840)	-	(100,572)
Improvements	(15,017)	(4,079)	-	(19,096)
Machinery & Equipment	(7,710)	(3,664)	-	(11,374)
Vehicles	(10,750)	(1,300)	-	(12,050)
Total accumulated depreciation	(133,209)	(9,883)	-	(143,092)
Total capital assets, being depreciated, net	90,152	(6,507)	-	83,645
Governmental activities capital assets, net	\$ 100,652	\$ 3,493	\$ -	\$ 104,145

Depreciation expense was charged to the functions/programs of the Town as follows:

<b>Governmental Activities:</b>	
General government	\$ 1,466
Cemetery	587
Public safety	3,991
Highways and streets	300
Recreation	3,539
Total depreciation expense - governmental activities	<u>\$ 9,883</u>

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 6. Capital Assets, Continued**

<b>Business Type Activities:</b>	<b>Balance 6/30/2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2006</b>
<b>Capital assets, not being depreciated:</b>				
Construction in Progress	\$ 481,141	\$ 50,012	\$ 531,153	\$ -
Total capital assets, not being depreciated	<u>481,141</u>	<u>50,012</u>	<u>531,153</u>	<u>-</u>
<b>Capital assets, being depreciated:</b>				
Machinery and equipment	13,632	-	-	13,632
Water system & improvements	585,069	531,153	-	1,116,222
Total capital assets, being depreciated	<u>598,701</u>	<u>531,153</u>	<u>-</u>	<u>1,129,854</u>
<b>Less accumulated depreciation for:</b>				
Machinery and equipment	(4,632)	(1,000)	-	(5,632)
Water system & improvements	(146,438)	(14,645)	-	(161,083)
Total accumulated depreciation	<u>(151,070)</u>	<u>(15,645)</u>	<u>-</u>	<u>(166,715)</u>
Total capital assets, being depreciated, net	<u>447,631</u>	<u>515,508</u>	<u>-</u>	<u>963,139</u>
Business type activities capital assets, net	<u>\$ 928,772</u>	<u>\$ 565,520</u>	<u>\$ 531,153</u>	<u>\$ 963,139</u>

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 7. Long-Term Debt**

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The following is a summary of long-term debt for the year ended June 30, 2006.

**Note Payable**

Water Note Payable, non-interest bearing note payable  
to Community Development Board, payable in annual  
principal installments of \$1,750 through December 2012. \$ 3,750

Water Note Payable, non-interest bearing note payable  
to Drinking Water Board, payable in annual  
principal installments of \$2,000 through December 2009. -

**Bonds Payable**

Water Revenue Bond, Series 2003, bearing interest at 4%,  
due in annual principal and interest installments of \$19,322,  
maturing December 2017. 162,163

Water Revenue Bond, Series 2004, bearing interest at 2.68%  
due in annual principal and interest installments of \$20,522,  
maturing December 2025. 306,000

Total Long-Term Debt	471,913
Less: Current Portion	<u>24,315</u>
Net Long-Term Debt	<u><u>\$ 447,598</u></u>

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 7. Long-Term Debt, Continued**

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The following is a summary of changes in long-term debt for the year ended June 30, 2006:

	Balance 6/30/2005	Additions	Retirements	Balance 6/30/2006	Current Portion
2003 Water Bonds	\$ 173,217	\$ -	\$ 11,054	\$ 162,163	\$ 11,993
Note Payable	5,500	-	1,750	3,750	-
2004 Water Bonds	318,000	-	12,000	306,000	12,322
Note Payable	9,470	-	9,470	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Long-Term Debt	<u>\$ 506,187</u>	<u>\$ -</u>	<u>\$ 34,274</u>	<u>\$ 471,913</u>	<u>\$ 24,315</u>

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 7. Long-Term Debt, Continued**

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The annual requirements to amortize long-term debt outstanding as of June 30, 2006 are as follows:

**Water Note Payable, Community Development**

Fiscal Year Ended June 30	Principal	Interest	Total
2007	\$ -	\$ -	\$ -
2008	-	-	-
2009	-	-	-
2010	-	-	-
2011	250	-	250
2012-2016	3,500	-	3,500
	<u>\$ 3,750</u>	<u>\$ -</u>	<u>\$ 3,750</u>

**Water Revenue Bond, Series 2003**

Fiscal Year Ended June 30	Principal	Interest	Total
2007	\$ 11,993	\$ 6,480	\$ 18,473
2008	12,466	6,007	18,473
2009	12,965	5,508	18,473
2010	13,483	4,990	18,473
2011	14,023	4,450	18,473
2012-2016	78,991	13,374	92,365
2017	18,242	729	18,971
	<u>\$ 162,163</u>	<u>\$ 41,538</u>	<u>\$ 203,701</u>

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 7. Long-Term Debt, Continued**

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**Water Revenue Bond, Series 2004**

Fiscal Year Ended June 30	Principal	Interest	Total
2007	\$ 12,322	\$ 8,200	\$ 20,522
2008	12,652	7,870	20,522
2009	12,991	7,531	20,522
2010	13,339	7,183	20,522
2011	13,697	6,825	20,522
2012-2016	74,191	28,419	102,610
2017-2021	84,677	26,431	111,108
2022-2026	82,131	24,390	106,521
	<u>\$ 306,000</u>	<u>\$ 116,849</u>	<u>\$ 422,849</u>

**Total Annual Requirements**

Fiscal Year Ended June 30	Principal	Interest	Total
2007	\$ 24,315	\$ 14,680	\$ 38,995
2008	\$ 25,118	\$ 13,877	38,995
2009	\$ 25,956	\$ 13,039	38,995
2010	\$ 26,822	\$ 12,173	38,995
2011	\$ 27,970	\$ 11,275	39,245
2012-2016	\$ 156,682	\$ 41,793	198,475
2017-2021	\$ 102,919	\$ 27,160	130,079
2022-2026	\$ 82,131	\$ 24,390	106,521
	<u>\$ 471,913</u>	<u>\$ 158,387</u>	<u>\$ 630,300</u>

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 8.      Reserved and Designated Fund Balances**

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Reserves and designations are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2006, the Town of Kanarraville's reserved fund balances are as follows:

<b>General Fund:</b>	
Class C Roads	\$ 46,023
Cemetery	42,672
Total	<u>\$ 88,695</u>
<b>Water Fund:</b>	
Debt Reserves	<u>\$ 30,566</u>

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**NOTE 9.      Defined Benefit Pension Plan**

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The Town has no full-time employees; thus, the Town does not participate in the Utah State-Wide Local Government Retirement Systems (Systems).

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**NOTE 10.     Segment Information - Enterprise Fund**

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The Town maintains one enterprise fund (utility fund) which provides water utility and garbage collection services to its citizens. All activities in the fund are included in the proprietary column in the financial statements.

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**NOTE 11.     Risk Management**

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The Town is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. The Town maintains insurance for general liability, auto liability, and employee dishonesty through Utah Local Government's Insurance Trust.

**TOWN OF KANARRAVILLE**  
**Notes to the Financial Statements**  
**June 30, 2006**

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**NOTE 12.      Impact Fees**

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Kanarraville Town collects water system impact fees to help make debt payments for drinking water system improvements, including drilling a new well, which were completed in April 2006 at a cost of \$531,153. The following is a recap of impact fees collected beginning FY 2005.

Water Impact Fees					
Fiscal Year	Revenues	Interest	Expenditures	Explanation	Accumulated Balance
2005	\$ 7,000	\$ 210	\$ 2,000	Debt payment on water system improvement	\$ 5,210
2006	\$ 45,500	\$ 1,365	\$ 29,993	Debt payment on water system improvement	\$ 22,082

# KANARRAVILLE TOWN CORPORATION

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kanarratown@rushisp.com

March 23, 2007

Mr. MacRay Curtis, CPA  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
P.O. Box 142310  
Salt Lake City, UT 84114-2310

Dear Mr. Curtis:

Here are the measures the town will take to stop Kanarraville from being non-compliant with your office. First and foremost we feel that educating the staff will be the best possible measure to implement a change. Our clerk, David Ence has already signed on to the seminar your office will be conducting in St. George in April, and will also take the Spring Conference class at the UMCA meeting also in April instructed by Richard Moon. I stress fiscal education to all elected officials as well, and if unable to attend classes, to read the portions in the hand book from Utah League of Cities & Towns pertaining to budgetary compliance.

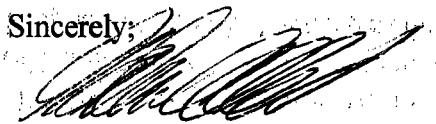
The agenda for monthly meetings will now have a numbered item at which time the clerk will give each department head a copy of the latest budget vs. actual report, and hold discussion before the meeting closes. The department heads are as follows:

Barbara Munford	Parks and Recreation
Kay Carter	Highways and Streets-Cemetery
Ryan Cornelius	Public Safety
David Ence	General Government

A mid-year check-up with the town auditors will be held to determine budgetary health and possible problems.

We hope these measures will speed us to a clean slate with State Auditors. We want to be in compliance and will work toward that end.

Sincerely,



Galen Allred/Mayor Kanarraville